

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2004-319-C - ORDER NO. 2004-647
DECEMBER 30, 2004

IN RE: Application of MCI, Inc. for Approval of a)	ORDER GRANTING
Merger of SouthernNet of South Carolina,)	EXPEDITED REVIEW
Inc., SouthernNet Services, Inc. and MCI)	AND APPROVING
WorldCom Network Services, Inc. and)	MERGER
Related Intra-Corporate Transactions)	
undertaken to Streamline MCI, Inc.'s)	
Corporate Structure.)	

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Application for approval of a merger of SouthernNet of South Carolina, Inc., SouthernNet Services, Inc. (together, SouthernNet) and MCI WorldCom Network Services, Inc. (Network Services)(collectively, the Applicants) and related intra-corporate transactions undertaken to streamline MCI, Inc.'s corporate structure. Further, an Application for Expedited Approval of Merger and verified testimony have been filed on behalf of the Applicants.

As per the instructions of the Commission Staff, a Notice of Filing was published in newspapers of general circulation in the Applicants' service area. Proof of publication was furnished. No Protests or Petitions to Intervene have been filed. Accordingly, we

grant the Application for Expedited Approval of Merger and base our holdings on the filed verified testimony.

Gregory J. Darnell, Senior Manager-Regulatory Economics for MCI, Inc. (MCI) filed verified testimony on behalf of the Applicants. Darnell stated that the proposed transaction involves the merger of SouthernNet's telephone assets and customer base into Network Services. Network Services is a wholly owned subsidiary of MCI, Inc. Network Services is authorized to provide resold interexchange telecommunications services in South Carolina pursuant to the Certificate originally granted by Commission Order No. 84-732. SouthernNet of South Carolina, Inc. is also a wholly owned subsidiary of MCI, Inc. and is authorized to provide resold interexchange telecommunications services in South Carolina pursuant to the Certificate originally granted by Commission Order No. 82-3. Further, in the event that SouthernNet Services, Inc. was certificated by the Commission, MCI has included that company in this transaction.

According to Darnell, MCI has determined that merger of SouthernNet into Network Services is an essential aspect of MCI's plan to streamline its corporate legal structure to achieve certain operating efficiencies, cost savings, and administrative benefits. This structure will also reduce duplication of effort and confusion in MCI's dealings with regulators, other government agencies, vendors, and customers, as per Darnell.

Under the proposal, the ultimate parent of SouthernNet, MCI, will retain ultimate control of the surviving subsidiary, Network Services. The merger will result in the transfer of SouthernNet's assets and customer base to Network Services. As part of the

merger, Network Services will be using the d/b/a of “Telecom*USA” in the provision of the related SouthernNet presubscribed and dial around services. In connection with the merger, the certificates of public convenience and necessity held by SouthernNet will be cancelled, to coincide with the effective date of SouthernNet of South Carolina, Inc.’s tariffs being incorporated into Network Services’ tariff. Post-merger, SouthernNet will no longer be providing telecommunications services in South Carolina. Darnell states that Network Services will file with the Commission the appropriate tariff changes to reflect the merger. As a part of that tariff filing, Network Services will also file the d/b/a of Telecom*USA associated with the SouthernNet offering to conform the tariff to the long-accepted business practice in South Carolina of doing business in the name of Telecom*USA.

Darnell noted that the merger will have no effect on the services or the rates, terms, and conditions of those services that are currently being provided to South Carolina customers. SouthernNet’s services are currently branded as Telecom*USA and since Network Services will be using the Telecom*USA d/b/a for the related tariffs, the transaction will be virtually transparent to customers.

Further, Darnell testified that to ensure a seamless transition, SouthernNet of South Carolina, Inc.’s presubscribed retail customers have been given not less than thirty days prior notice of the merger, in compliance with the rules of the Federal Communications Commission governing carrier-to-carrier customer base transfers. In addition, Network Services will amend its South Carolina tariff, to the extent necessary, to include SouthernNet of South Carolina’s tariffs. As a part of that tariff filing, Network

Services will also file the d/b/a of Telecom*USA associated with the SouthernNet offering to conform the tariff to the long-accepted business practice in South Carolina of doing business in the name of Telecom*USA. Darnell stated that the proposed merger will be virtually transparent to affected customers in terms of the rates and terms and conditions of services these customers currently receive. The proposed transaction does not involve a transfer to Network Services of SouthernNet's South Carolina Certificates to provide interexchange telecommunications services, given that Network Services is already certificated to provide interexchange telecommunications services in South Carolina.

Darnell asserts that the granting of this Application will serve the public interest by increasing competition as result of reinforcing MCI's status as a viable competitor. Specifically, the proposed transaction will reduce duplication of effort and confusion in MCI's dealings with regulators, other government agencies, vendors, and customers. According to Darnell, South Carolina consumers will ultimately benefit from the proposed merger of SouthernNet into Network Services.

II. FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. The proposed transaction involves the merger of SouthernNet's telephone assets and customer base into Network Services.
2. Both the SouthernNets and Network Services are wholly owned subsidiaries of MCI.
3. Under the proposal, MCI will retain ultimate control of the surviving subsidiary, Network Services.

4. Post-merger, SouthernNet will no longer be providing telecommunications services in South Carolina.

5. The merger will have no effect on the services or the rates, terms and conditions of those services that are currently being provided to South Carolina customers. The transaction will be transparent to customers.

6. Network Services will file the d/b/a of Telecom*USA associated with SouthernNet in order to conform the tariff to the long-accepted business practice in South Carolina of doing business in the name of Telecom*USA.

7. The proposed merger should be approved as filed, as it will serve the public interest by increasing competition as a result of reinforcing MCI's status as a viable competitor.

IT IS THEREFORE ORDERED:

1. The Application for Expedited Approval of a merger of SouthernNet of South Carolina, Inc., SouthernNet Services, Inc., and MCI WorldCom Network Services, Inc. is hereby approved as filed, along with related intra-corporate transactions undertaken to streamline MCI, Inc.'s corporate structure.

2. Any Certificates held by SouthernNet of South Carolina, Inc. and SouthernNet Services, Inc. are hereby cancelled as of the date of the merger.

3. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

/s/
Randy Mitchell, Chairman

ATTEST:

/s/
G. O'Neal Hamilton, Vice Chairman

(SEAL)